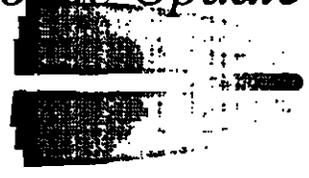


Economic Update



February 10th, 2005

Presentation Outline



- Key Indicators
 - National
 - Local

National Indicators

3

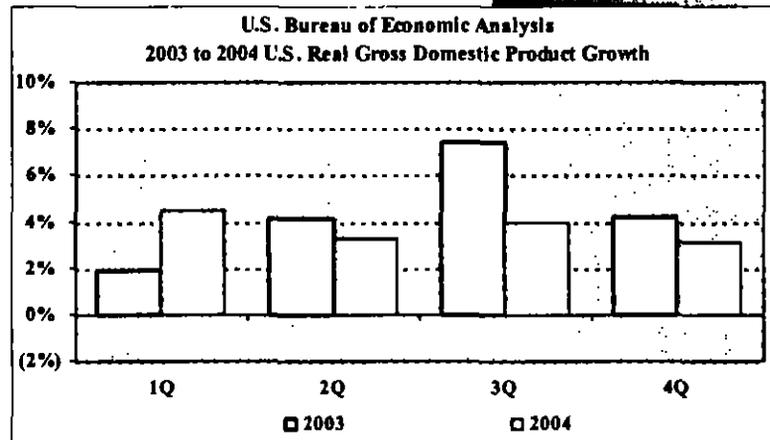
U.S. Gross Domestic Product

(GDP)

- 3Q 2004 GDP was 4.0%
- 4Q 2004 GDP was 3.1%
 - Slightly below expectations of 3.5% growth
- 2004 Growth was 4.4%
- Major contributors to growth
 - Personal consumption expenditures (PCE)
 - Offset by trade imbalance

4

U.S. Gross Domestic Product (GDP)



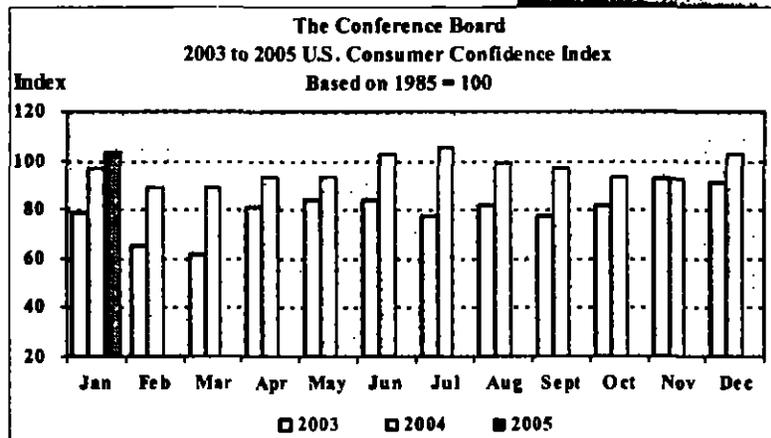
5

U.S. Consumer Confidence Index

- Leading indicator – outlook of the next six months
- 2004 Ranged from a low of 88.5 in February to a high of 105.7 in July
- January 2005 Index rose to 103.4
- Consumers somewhat upbeat about jobs
- Index peaked in January 2000 at 144.7

6

U.S. Consumer Confidence Index



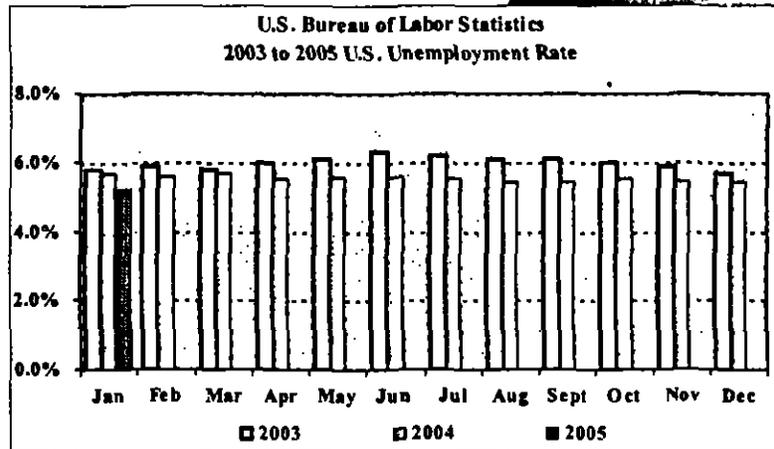
7

U.S. Unemployment Rate

- Unemployment Rate
 - Jan 2004: 5.7%
 - Jan 2005: 5.2%
- Non-Farm Jobs – Change from Prior Month
 - Jan 2004: +117,000
 - Jan 2005: +146,000
- 2.1 million jobs created in 2004
- Nationally – 20 consecutive months of Job Growth
- Labor Force Participation rate is 65.8%

8

U.S. Unemployment Rate



9

Local Indicators

- Looking Back

10

Austin Economic Trends

“The economy of the Austin-San Marcos MSA is projected to achieve moderate expansion over the 2004-09 timeframe ..”

Ray Perryman

The Perryman Group

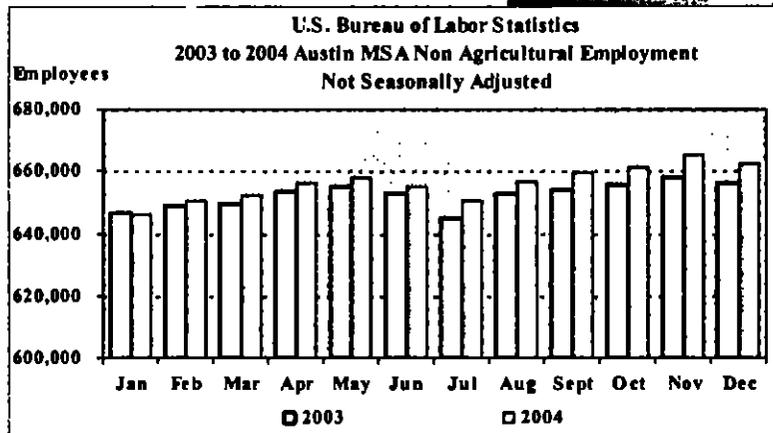
11

Austin MSA Employment

- Reports total number of people working (n
- Employment trends are positive
 - 2003 Average Monthly Employment: 652,250
 - 2004 Average Monthly Employment: 656,158
- Monthly Data
 - Dec 2003 Total Employment: 656,100
 - Dec 2004 Total Employment: 662,200
- Added 6,100 Jobs in 2004
- Unemployment Rate
 - Dec 2003: 4.8%
 - Dec 2004: 4.0%

12

Austin MSA Employment



13

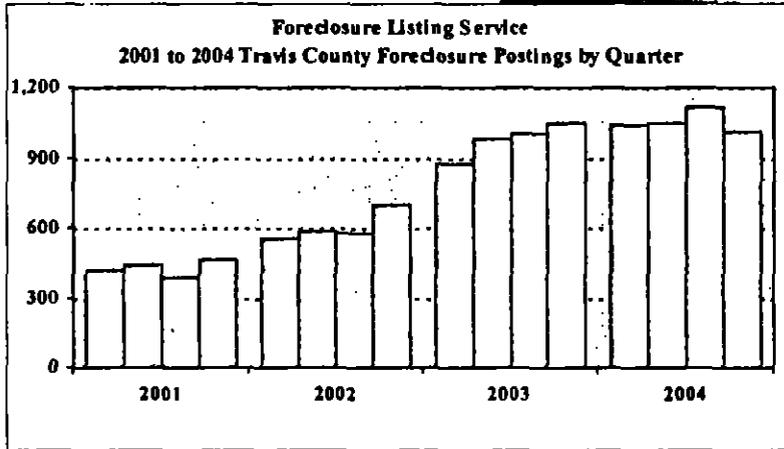
Foreclosures & Bankruptcies

- Lagging Indicators
- Foreclosures – Travis County
 - 2003: 3,906 or a 61% increase over 2002
 - 2004: 4,217 or a 8% increase over 2003
- Bankruptcies – Total Filings for Austin Region (17 Counties)
 - 2003: 6,501 or a 24% increase over 2002
 - 2004: 6,622 or a 2% increase over 2003

Source: Foreclosure Listing Service & U.S. Bankruptcy Court

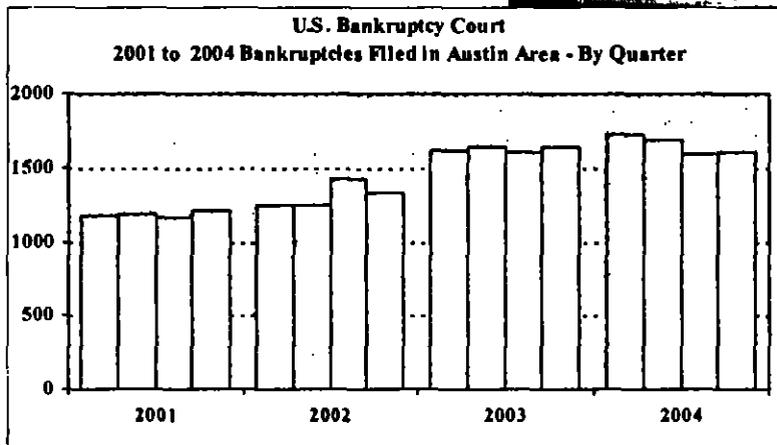
14

Foreclosures



15

Bankruptcies



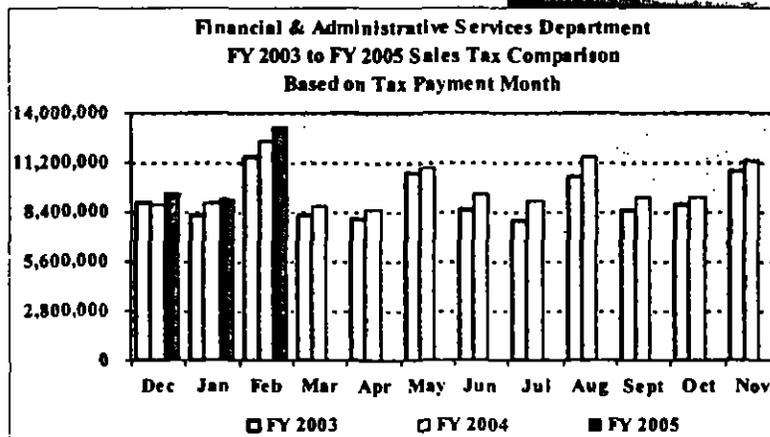
16

Sales Tax Revenues

- 27% of fiscal year 2005 General Fund Resources
- FY 2004
 - \$117.7 million
 - 6.7% growth over FY 2003
- FY 2005
 - Approved: 5.1%
 - YTD (3 payments): 5.1%

17

Sales Tax Revenues



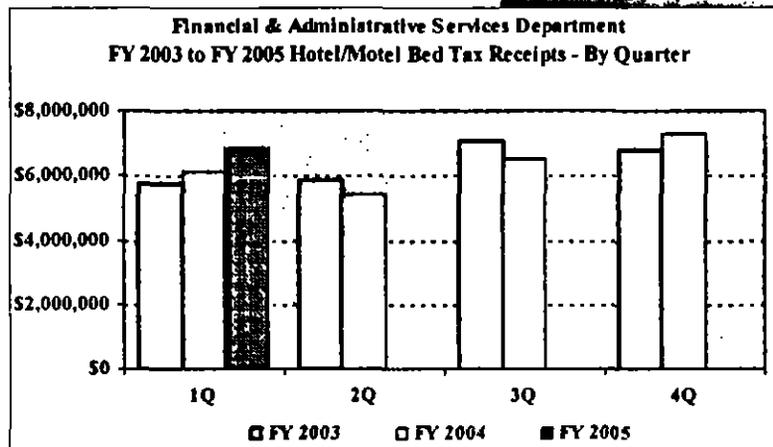
18

Hotel / Motel Bed Tax & Car Rental Tax

- Hotel/Motel Bed Tax Trends
 - FY 2004: \$25.4 million
 - FY 03 to FY 04: (0.5%)
- Hotel/Motel Bed Tax FY 2005
 - Approved: \$25.8 million, or 3% growth
 - 1Q: \$6.84 million, or 11.7% increase over FY 2004 1Q
- Car Rental Tax
 - Growth from 2003 to 2004 was flat
 - FY 2005 1Q up 13.5% compared to FY 2004 1Q

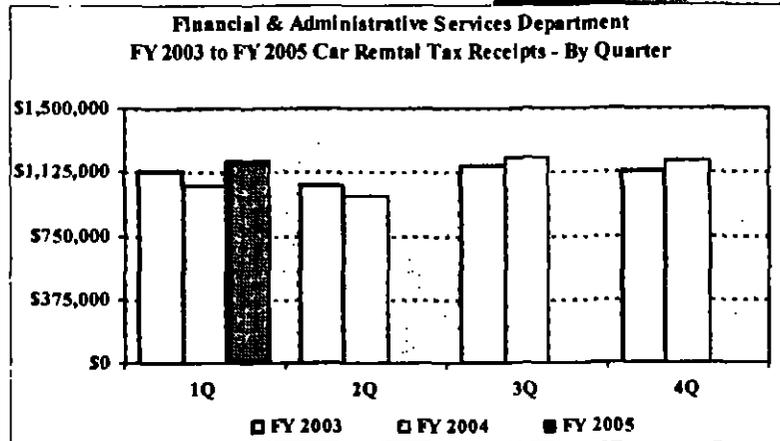
19

Hotel / Motel Bed Tax



20

Car Rental Tax



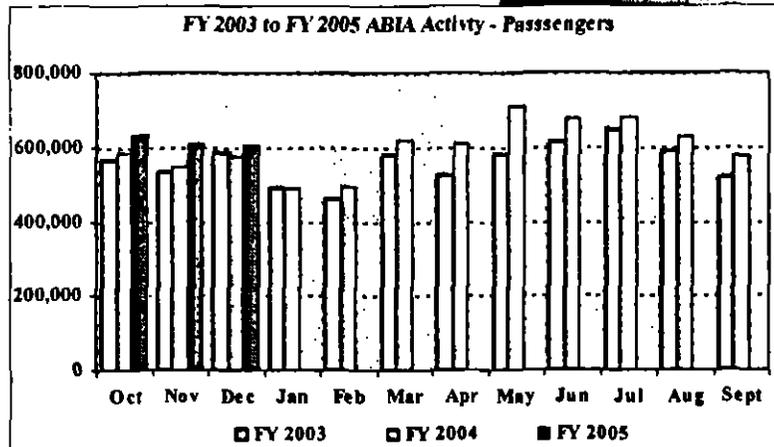
21

ABIA Passengers

- Passenger Trends
 - FY 2003: 6.68 million passengers
 - FY 2004: 7.18 million passengers
 - 7.5% growth
- FY 2005 Projections
 - Appvd: 7.09 million passengers
 - YTD (3 months) activity is up 8.3% compared to FY 2004
- Passenger activity peaked in FY 2001 at 7.54 million

22

ABIA Passengers



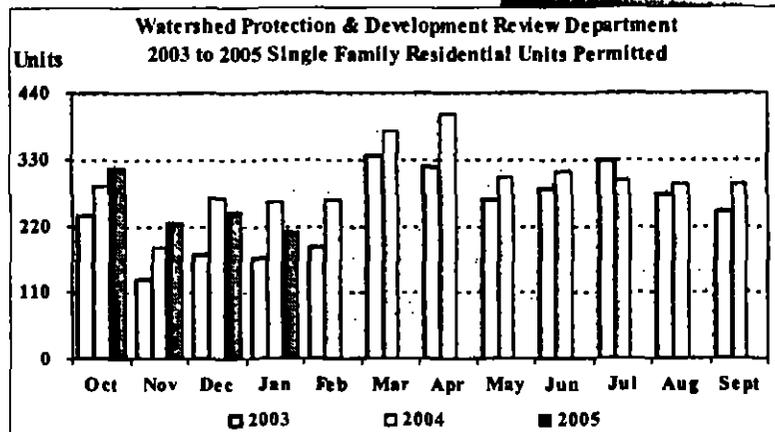
23

Housing Activity Indicators

- Single Family Residential Permits
 - Indicator used when "New Housing Starts" is announced
 - FY 2003: 2,921 permits
 - FY 2004: 3,519 permits
 - 20% increase
- Remodel & Addition Permits
 - FY 2003: 2,527 permits
 - FY 2004: 2,350 permits
 - (7% decrease)

24

Residential Units Permitted



25

Summary

- Nationally
 - GDP growth is stronger
 - Consumer confidence is increasing
 - Employment situation has stabilized
- Locally
 - Job creation in 2004
 - Foreclosure and Bankruptcy growth has slowed
 - Hotel/Motel & Car Rental Tax up over last year
 - 2005 Sales Tax is at Budget

26